

Reasonable Cause Needed For Penalty Abatements

DebtHelp.com Tip: You will not automatically be given a penalty abatement. You must show the IRS reasonable cause as to why your penalty should be either reduced or totally eliminated.

According to the IRS, there are seven categories in which your 'reasonable cause' can fall into. Another term for 'reasonable cause' is a good reason.

- Civil disturbance
- Serious illness of either you or a family member
- Death of a family member or yourself
- Unavoidable absence
- Lack of funds – only after you have shown you were using ordinary care and prudence in your business operations
- Reasons beyond your control that caused the inability to determine your tax
- Other reasons for not complying within the time limit. You still must show the IRS that you exercised ordinary business care, however.

You also may request a **penalty abatement** when you rely on incorrect advice given by the IRS over the phone. As a result of relying on the IRS phone advice, you suffered more taxes and penalties, for instance. Your reliance upon the advice, however, must be reasonable. You must show the IRS this.

SAMPLE

To: Penalty Abatement Coordinator
IRS Service Center
P.O. Box 123
Cincinnati, OH. 98765

Re: Request for Penalty Abatement

From: Jane Nutsy

12 Crazy Road
Loony Bin, WY. 98766
SSN: 123-45-6789

July 4, 2007

To Whom It May Concern:

I am requesting an abatement of penalties totaling \$2,345.20 as asserted in the IRS Notice dated 6/2/XX, of which I have enclosed.

The reason I paid late, filed late, did not report income (choose your reason) was that
_____ (fill in your reason, such as:)

My husband passed away
I was hospitalized
My tax records were lost in the hurricane
Whatever your good reason is....

Enclosed is a (describe your supporting documentation, such as):

Death certificate confirming my husband's death
Doctor's explanation for my hospitalization
Picture of house torn apart from hurricane

I have also enclosed payment that covers the amount of the underlying taxes I owe. (It is a good idea to send at least something as a good faith deposit).

Please abate these penalties for "reasonable cause." If you have any further questions, please feel free to contact me at 960-985-8564 from 8a to 5 pm.

Thank you in advance for your time and consideration.

Sincerely,

Manual signature

Jane Nutsy

Enclosed: IRS Tax Notice, death certificate, doctor's letter, photograph.